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PATENT APPLICATION

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LOCAL RETURNS OF REMOTELY PURCHASED MERCHANDISE  
WITH RETURN CODE VALIDATION

TECHNICAL FIELD OF THE INVENTION

This invention relates to electronic commerce, and  
more particularly to a method of managing local returns  
of goods purchased via the Internet in a manner that  
5 reduces consumer fraud.

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BACKGROUND OF THE INVENTION

The growing popularity of electronic commerce over the Internet is a modern phenomena. Retail e-commerce is far more convenient than bricks and mortar shopping, but  
5 one of its drawbacks is that the customer lacks the ability to inspect the goods. Inherent in Internet purchases may be an increased likelihood of customer returns.

For returns not purchased in an e-commerce  
10 environment, a consumer can visit a brick and mortar retail store, which accepts product returns at the retail location. Typically, the store will operate a sales counter or customer service counter specifically for returns. Consumers could expect to immediately receive  
15 cash or a credit on the return.

In the conventional returns scenario, the retailer of a returned good will assess the condition of the returned item. Returned goods in new condition can be put back on the shelf for re-sale. Returned goods that  
20 were defective or otherwise inappropriate for resale can be collected and stored until enough goods accumulated to justify bulk shipment to some sort of disposition center. At the disposition center, the condition of returned goods are again evaluated and goods were routed to an  
25 appropriate destination, such as an outlet store, manufacturer, or land-fill.

This conventional method of handling returns goods is not necessarily the most satisfactory for Internet purchases. In the absence of local brick and mortar  
30 retail locations, the goods must be shipped from the consumer back to the internet retailer's location. From

there, the costly process of shipping and handling of returned goods back through the retail channel continues.

Returns to catalog retailers have the same complications as returns of Internet purchases. Despite  
5 these inefficiencies, internet and catalog retailers (collectively known as direct marketers) are still using conventional product returns methods.

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SUMMARY OF THE INVENTION

One aspect of the invention is a method of using a public communications network, such as the Internet, to manage the return of an item purchased by a consumer from a remote direct merchandiser. The consumer may or may not initiate a return by accessing a returns manager, such as by telephone or website. If the consumer initiates a return in this manner, he or she may receive general returns information or return authorization (including a unique return validation code).

In any event, it is assumed that in some manner or another, the consumer acquires a return validation code to present with the item being returned. For example, another method for providing the return validation code is to simply assign the code at the time of the sale and print it on the invoice.

To return an item, the consumer may simply take the item to a local returns center, who communicates return request data to the returns manager. In response, the returns manager provides return validation data to the local returns site. The validation data includes a return validation code, which is matched to the code provided by the consumer. After the return is validated, the returns manager initiates a credit to an account of the consumer for a return value of the returned item.

Typically, the above-described communications, with the consumer and with the local return site, will be performed via a website maintained by the returns manager. A similar returns process may occur where the consumer calls a local shipper for pick-up rather than takes the item to a local return site.

5 An advantage of the invention is that it provides an efficient "reverse logistics business process". The process eliminates unnecessary shipping and handling of returned products. Using the internet and a set of pre-determined process rules, de-centralized handling of product returns can direct product returns to the least costly method of disposal.

10 The consumer is better satisfied by knowing that returns can be conveniently made. The local returns process permits the consumer to immediately receive monetary credit for a returned item. Also, the process is amenable to use of existing storefronts such as mail centers for local drop off. Thus, the consumers need not travel far to drop off returns. At the drop off centers,  
15 employees can be easily trained to effect a standardized returns process, thereby promoting a high level of consumer service.

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BRIEF DESCRIPTION OF THE DRAWINGS

FIGURE 1 illustrates a system for local returns of goods purchased from a remote direct merchandiser, and shows paths followed by returned items.

- 5        FIGURE 2 illustrates data paths for returns messages and information exchanged within the system of FIGURE 1.

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DETAILED DESCRIPTION OF THE INVENTION

Local Returns of Remotely Purchased Goods

FIGURE 1 illustrates a system for returns of goods purchased remotely from a direct merchandiser, such as an Internet retailer or catalog retailer. For purposes of this description, direct merchandisers are referred to simply as "retailers".

FIGURE 1 is primarily directed to the various paths that may be followed by a returned item; communications paths for requests and information related to a return are described below in connection with FIGURE 2. Additional details describing the system of FIGURE 1 are set out in U.S. Patent Serial No. 09/796,337 (Atty Dkt No. 067439.0112), entitled "Method and System for Processing the Local Return of Remotely Purchased Products", incorporated by reference herein.

In general, system 10 implements "reverse logistics product returns". It provides consumers with a convenient method to return unwanted products and receive a refund. System 10 provides retailers with an efficient and cost effective returns process that reduces the risk of fraudulent returns.

For purposes of FIGURE 1, it is assumed that a consumer 11 is assumed to have ordered an item via the Internet or by telephone, and to have received the item via some sort of delivery service. It is further assumed that the retailer from whom the item was purchased is a member of system 10. This membership may be made known to the customer in any number of ways, such as by notification on the consumer's invoice. In general, the retailer becomes a member of system 10 by agreeing with

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returns manager 12 that returns manager 12 will assist in the returns process in the manner described herein.

If the item is to be returned, consumer 11 determines an address (URL) for accessing a returns site 11 via the Internet. Consumer 10 uses the returns site 11 to gather general information about the retailer's returns policies and procedures, and to begin the returns process. Alternatively, consumer 10 may call the returns site 11 by telephone to receive general return information.

As indicated in FIGURE 1, the consumer 11 may use either of two paths for returning the item. As explained below, from the consumer's point of view, the consumer 11 is concerned only with taking the item to a local return site 13 or in having the item picked up by a shipping service. In other words, there is no need for the consumer 11 to locate and ship to the remote retailer.

Thus, a first alternative is for the consumer 11 to request pick up at the consumer's home or other location. After the consumer 11 provides appropriate information online or via the telephone, a shipper is notified to pick up the item to be returned. This shipper role could be easily fulfilled by any one of the commercial shipping companies in wide use, such as Federal Express or UPS. The consumer gives the product to the driver from the shipper, who verifies the item being returned. The shipping company driver uses a wireless data terminal to log the receipt of the item being returned and to print a shipping label. The wireless data terminal communicates with returns manager 12 to process the transaction. The returns manager 12 may initiate an instant credit for the



return to the consumer's account, such as by communicating with a credit card company or other financial administrator. The shipper delivers the product to the shipper's local hub 14, where it is held  
5 until the disposition of the product is determined.

A second alternative is for the consumer 11 to directly deliver the item to a local returns site 13. This "drop off" method, may be made with or without prior authorization that the consumer has obtained online or by  
10 telephone. For authorization, consumer 10 accesses returns manager 12 online or by telephone and provides the necessary information about the return. The consumer then chooses a nearby local returns site 13 and delivers the item to that location. Examples of suitable local  
15 returns sites 13 are neighborhood mailing and packaging centers, who have elected to participate in system 10.

At the local returns site 13, an employee accesses the returns manager 12 to input and send returns request data associated with the desired return. This data  
20 represents the necessary return information, using information provided by the consumer. The data permits the employee to access information describing a step-by-step process provided by the returns manager 12, which is specific to the product that is being returned and to the  
25 retailer that sold the product. This process includes verification of data provided by the consumer against data provided by the retailer, and permits the return to be validated at the local returns site 13.

At the local returns site 13, and after the product  
30 return has met the return guidelines, a shipper is notified to pick up the item from the returns site 13.

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This notification may come from the local returns site 13 or from returns manager 12. The consumer receives an immediate credit back to his or her credit card, or alternatively, some sort of voucher or receipt  
5 representing a credit. The retailer is notified of the return so that proper accounting measures can be taken. The product is delivered to the shipper's local hub 14 where it is held until the disposition of the product is determined. Alternatively, the item may be returned to  
10 the retailer.

Once a returned item reaches the shipper's local hub 14, various dispositions of the item are possible. The returns manager 12 notifies the retailer that a product return is in progress, via an integrated internet back-  
15 end process, and the account number of the consumer and the order number are identified. The best disposition of the product is chosen based on pre-determined rules (selected by the retailer) that eliminate unnecessary shipping and handling, based on the state or condition of  
20 the returned product.

If desired by the retailer, the item may be sent to the returns manager 12. Once the product is in the possession of returns manager 12, it is processed for disposition. If it is selected for liquidation, it is  
25 automatically listed on an internet auction website, where it is liquidated via online auction. The retailer may choose to receive a fixed sum for the product, or to share the risk of liquidation by receiving some portion of the liquidation revenue.

30 The retailer may also choose some other disposition method. For example, the retailer may choose to re-sell

the product at a retail price, in which case the product could be shipped directly to the new buyer. Or, the retailer may choose to ship the product to the manufacturer 16 because of some defect; or to a charity to whom the product is to be donated.

As indicated above, regardless of whether the consumer 11 drops off the item or has it picked up, the local return of direct-marketed goods allows the consumer to receive immediate credit for the returned product. Also, the rules-based disposition decision process allows for an immediate, automatic disposition decision, prior to returning the product to the retailer via an expensive shipping and handling process. Finally, by using online auction websites, returns manager 12 can dispose of returned goods one item at a time. The retailer thus avoids costly warehousing of returned goods and the labor costs associated with processing them, and captures the best possible financial return on returned goods by making them available to a large number of interested buyers at online auction websites. This avoids costly aggregation of products in warehouses in order to liquidate them in bulk via conventional liquidation agents. This also accelerates the liquidation process, clearing the retailer's accounting and logistics systems faster and disposing of goods while they are still fresh, reducing the risk of their becoming outdated by newer versions.

Public Network Messaging and Data Management by Returns Manager

FIGURE 2 illustrates how returns manager 12 makes use of the public communications networks to receive and

deliver various data to and from the various entities involved in the returns process. The Internet is but one example of a public data communications network on which this type of communications may occur. The same type of  
5 communications are possible over a public telephone network. Thus, "access" to returns manager 12 may be either via the Internet or via telephone.

As explained above in connection with FIGURE 1, returns manager 12 may or may not be initially accessed  
10 by the consumer 11 for general returns information. Typically, returns manager 12 maintains a returns website that may be accessed by the consumer for this general information. The website may be accessed directly by entering the Internet address of the returns manager or  
15 by activating a link on the merchandiser's website.

After consumer 11 has delivered the item to a local returns site 13 or has had the item picked up by a local shipper 14, either of these entities accesses returns manager 12. As explained above, the access by the local  
20 shipper 14 may be performed by a route driver who relates directly with the consumer 11. The local returns site 13 or shipper 14 communicates return request data to the returns manager 12, specific to the item. In response, the returns manager 12 provides returns validation data,  
25 which may be used by the local site 13 or shipper 14 to validate the return. A method of providing a returns validation code is described below as one approach to validation.

Once the return is validated, returns manager 12  
30 initiates a credit to the consumer's account. This credit can be initiated by notification to an agent of

the consumer 11, such as a credit card company. Returns manager 12 then provides notification of the transaction to the retailer 21.

Returns manager 12 also stores or otherwise accesses  
5 returns policy data particular to the retailer of the returned item. Returns manager 12 uses this returns policy data to determine disposition of the returned item. As explained above, the item might be held for sale at auction or shipped elsewhere for disposition.

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Invoice Validation for Returned Goods

As explained above, from the retailer's point of view, one approach to handling returns is to maintain, or contract with, local storefronts that will accept  
15 returns. The local storefront will inspect the goods, verify information, and generate a credit to the customer.

An example of a local storefront that handles returns is the local drop off site 13 described above in  
20 connection with FIGURE 1. Also, in the system of FIGURE 1, when the consumer opts for the pick-up option, verification could alternatively be performed by the shipper.

A problem with local (decentralized) returns is that  
25 a local storefront does not always have access to the retailer's order data. As a result, when a credit is generated, the storefront may have no more information other than what is presented by the consumer. For example, the local storefront might see only what appears  
30 on a sales invoice originally sent with the goods and presented by the consumer. It is easily possible for the consumer to fraudulently modify the invoice. For

example, the consumer might alter the price of the goods to be greater than that actually paid. Or, the consumer might alter the invoice's written description of the goods so that the returned item appears to be a  
5 returnable, when in fact it is not.

To solve this type of problem, a return validation code is associated with each returnable good. This validation code is algorithmically generated and contains a field for each of the following items of information:  
10 an identifier unique to the retailer who sold the item;  
a return authorization number;  
the purchase date of the good;  
the seller's product ID for the good; and  
15 a purchase price.

Any one of various algorithms may be used to generate the code. In general, the algorithm accepts the above parameters and generates a number that cannot be decoded to its original elements.

20 The return validation code may be assigned to the item at any one of various time points during the sale/return process. For example, before returning an item, the consumer 11 could be required to obtain a return authorization that includes the return validation  
25 code. This return authorization could be obtained from the returns manager 12 via telephone or online access. Alternatively, the consumer 11 might obtain the return authorization from the retailer 21, by telephone or on-line access. Or, the return code could be generated at  
30 the time of the sale and provided with the original sales invoice.

When the consumer 11 takes the item to the local drop off site 13, or when the item is picked up by a shipper, the consumer's return validation code is attempted to be matched to a code provided by returns manager 12. This matching can be performed manually by the local returns site 13 or local shipper 14. Or, either of these entities could provide the consumer's code to returns manager 12, such as by entering it to a website operated by returns manager 12, and the matching could be performed automatically. If any of the invoice information has been modified, the code match will fail, thereby invalidating the return.

Other Embodiments

Although the present invention has been described in detail, it should be understood that various changes, substitutions, and alterations can be made hereto without departing from the spirit and scope of the invention as defined by the appended claims.

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